

Message Text

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ACTION ARA-20

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E.O. 11652: N/A

TAGS: ENRG VE

SUBJECT: GULF OIL PLANS FOR VENEZUELA

1. HERBERT E. HANSEN, VICE PRESIDENT, GULF OIL CORP., ACCOMPANIED BY WILLIAM L. CLARKE OF GULF, AND LEWIS RAMSEY, PRESIDENT OF LOCAL GULF AFFILIATE (MENE GRANDE) CALLED ON AMBASSADOR DECEMBER 11 TO DISCUSS FUTURE PROSPECTS IN VENEZUELA.

2. GULF REPRESENTATIVES VIEW FUTURE WITH CONSIDERABLE OPTIMISM IN VENEZUELA, FOLLOWING APPARENT ELECTION OF CARLOS ANDRES PEREZ BY SUBSTANTIAL MARGIN. THEY THINK, AS WE DO, THAT CAP WILL BE TOUGH BARGAINER, BUT WILL BE MORE PREPARED TO DEAL ON PRAGMATIC AND REALISTIC BASIS THAN COPEI GOVERNMENT.

3. GULF REPRESENTATIVES HOPE THAT THEY AND OTHER OIL COMPANIES WILL BE ABLE TO INITIATE TALKS WITH VENEZUELAN GOVERNMENT, EARLY IN NEW PRESIDENTIAL TERM, LOOKING TOWARD NEW ARRANGEMENT TO REPLACE CONCESSIONS. NEGOTIATING NEW ARRANGEMENT WOULD GIVE GOVERNMENT EARLY REVERSION AND WOULD GIVE COMPANY MORE STABLE

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RELATIONSHIP TO REPLACE CONCESSIONS, WHICH CONSIDERED

ANACHRONISMS THROUGHOUT PETROLEUM ARRANGEMENTS IN MANY PRODUCING COUNTRIES WILL RESULT, GULF REPRESENTATIVES FEAR, FROM NEW 60 PERCENT DEAL WHICH THEY HAD NO CHOICE BUT TO ACCEPT IN KUWAIT. THEY BELIEVE THAT OTHER PRODUCING COUNTRIES WILL FOLLOW SUIT, PERHAPS EACH TRYING TO OUT-DO THE OTHER UNTIL 100 PERCENT OWNERSHIP BECOMES RULE IN MOST PRODUCER STATES. THEY CONSIDER VENEZUELA LIKE IRAN TO BE A SOMEWHAT SPECIAL CASE, WHERE SOMEWHAT DIFFERENT ARRANGEMENTS COULD BE MADE AND WHERE THERE ARE POSSIBILITIES FOR SOMEWHAT MORE STABLE INVESTMENT CLIMATE.

5. REGARDING NATURE OF POSSIBLE ARRANGEMENTS IN VENEZUELA, THEY BELIEVE VENEZUELAN GOVERNMENT WILL WANT TO AVOID CONSORTIUM TYPE ARRANGEMENT LIKE THAT OF IRAN. RATHER, THEY THINK VENEZUELAN GOVERNMENT WILL WANT TO CONSOLIDATE 21 COMPANIES OF INDUSTRY HERE INTO 5 OR 6 VERY LARGE COMPANIES. EACH OF THESE LARGE COMPANIES WOULD BE SUBSTANTIALLY OWNED BY GOVERNMENT AND WOULD INVOLVE JOINT VENTURE, PARTICIPATION, OR SOME CONTRACTUAL ARRANGEMENT WITH PRESENT OWNERS.

6. COMMENT: ONE OF THE BIGGEST PROBLEMS IN NEGOTIATING NEW OIL ARRANGEMENTS WILL BE ACHIEVEMENT OF THE REQUISITE DEGREE OF COOPERATION AND COORDINATION BETWEEN OIL COMPANIES WHOSE INTERESTS WILL BE INVOLVED. AT CRITICAL MOMENTS IN THE PAST HERE THERE HAS BEEN TENDENCY FOR SOME COMPANIES TO WANT TO MOVE FURTHER AND FASTER THAN OTHERS. IN FORTHCOMING TALKS SOME COMPANIES WILL PROBABLY WANT TO OFFER GENEROUS INITIAL PACKAGE THAT WOULD HAVE GOOD CHANCE OF ACCEPTANCE WHILE OTHERS WILL WANT TO ADOPT TOUGHER BARGAINING STANCE YIELDING POINTS ONLY ONE BY ONE WHEN PRESSED BY GOVERNMENT. LATTER APPROACH WOULD BE LIKELY IN PRESENT CLIMATE TO ENCOURAGE GOVERNMENT TO ACT UNILATERALLY.

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